



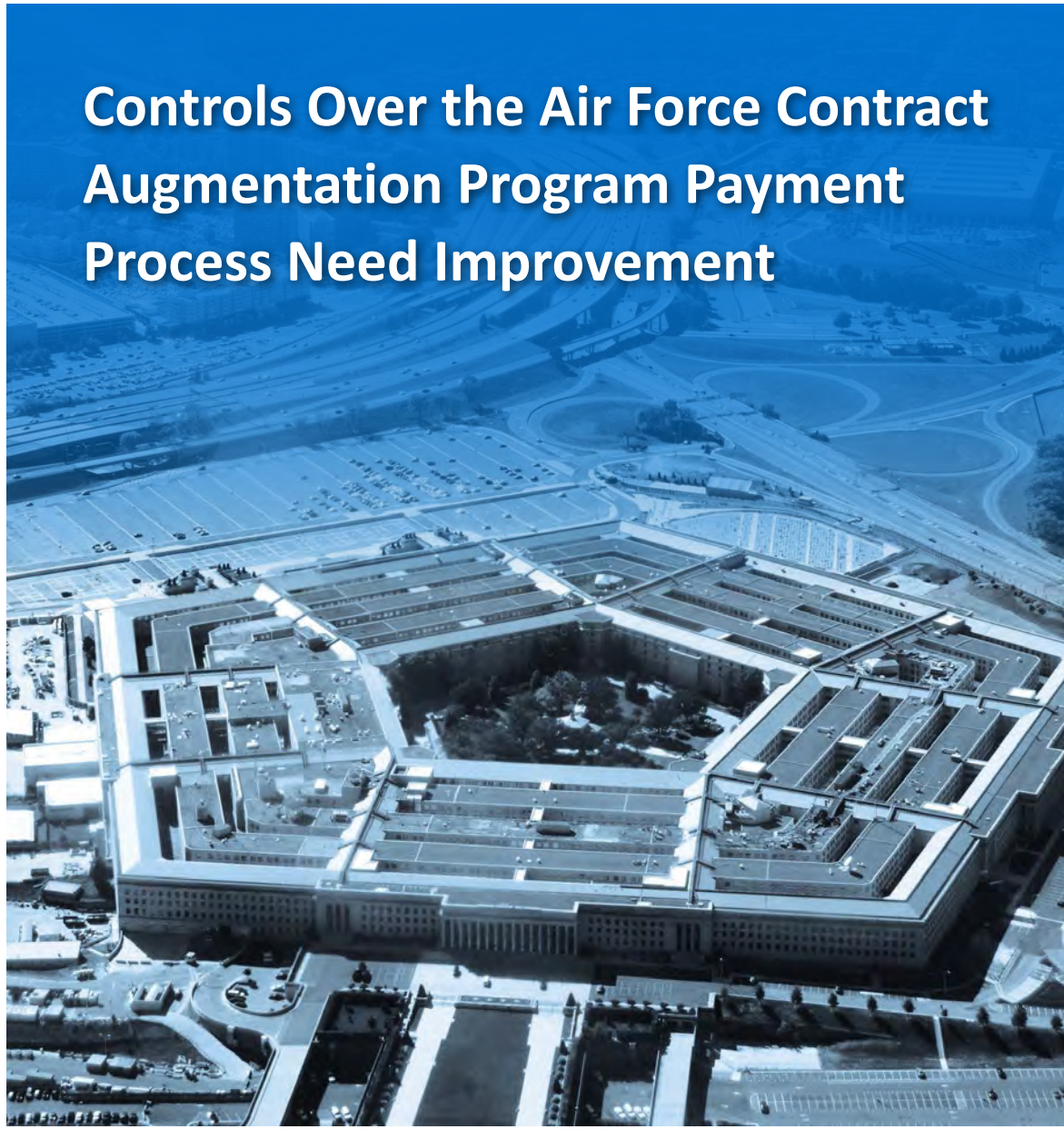
# INSPECTOR GENERAL

*U.S. Department of Defense*

JANUARY 28, 2015



## Controls Over the Air Force Contract Augmentation Program Payment Process Need Improvement



INTEGRITY ★ EFFICIENCY ★ ACCOUNTABILITY ★ EXCELLENCE

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INTEGRITY ★ EFFICIENCY ★ ACCOUNTABILITY ★ EXCELLENCE

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# Results in Brief

## *Controls Over the Air Force Contract Augmentation Program Payment Process Need Improvement*

January 28, 2015

### Objective

To determine whether DoD was effectively administering and providing oversight of selected Air Force Contract Augmentation Program (AFCAP) task orders in Southwest Asia. Specifically, we determined whether Air Force officials adequately monitored contractor performance and whether invoice review and approval procedures were in place to ensure the accuracy and completeness of contract costs for three AFCAP task orders valued at \$43.8 million.

### Finding

379<sup>th</sup> Expeditionary Contracting Squadron officials generally administered the three AFCAP task orders we reviewed in accordance with Federal and DoD guidance. Specifically, contracting officer's representatives were assigned and trained and monitored and reported the contractors' performance.

However, contracting officers did not verify that contractor performance was satisfactory before certifying and paying 20 of 40 contractor invoices submitted between October 2012 and June 2014. This occurred because 772<sup>nd</sup> Enterprise Sourcing Squadron officials did not establish procedures to ensure that contract payments were based on documented acceptance of contractor performance. In addition, improvements can be made when determining equitable adjustments (EA) for the contractors' failure to meet performance objectives.

### Finding (cont'd)

Specifically, contracting officials did not incorporate replacement costs into EA agreements with the contractor for unsatisfactory contractor performance. This occurred because contracting officials did not use Federal Acquisition Regulation subpart 52.246-4, "Inspection of Services, Fixed-Price" to the fullest extent possible when determining EA amounts.

As a result, the Air Force paid over \$5.0 million for services that may not have met contract requirements, and missed the opportunity to recover replacement costs when negotiating EAs.

### Recommendations

We recommend the Director, 772<sup>nd</sup> Enterprise Sourcing Squadron:

1. Develop procedures for contracting officers to verify contractor invoices are submitted with documented satisfactory performance within Wide Area Work Flow before certifying invoice payments.
2. Review invoices with discrepancies identified in Appendix C and take appropriate action.
3. Direct administrative contracting officers and contracting officers to consider replacement costs when determining future equitable adjustments.

### Management Comments and Our Response

Comments from the Commander, 772<sup>nd</sup> Enterprise Sourcing Squadron fully addressed all specifics of the recommendations, and no further comments are required. Please see the recommendations table on the back of this page.

## ***Recommendations Table***

Management	Recommendations Requiring Comment	No additional Comments Required
Director, 772 <sup>nd</sup> Enterprise Sourcing Squadron	None	1, 2, and 3





**INSPECTOR GENERAL  
DEPARTMENT OF DEFENSE  
4800 MARK CENTER DRIVE  
ALEXANDRIA, VIRGINIA 22350-1500**

January 28, 2015

MEMORANDUM FOR ASSISTANT SECRETARY OF THE AIR FORCE (FINANCIAL MANAGEMENT  
AND COMPTROLLER)

DIRECTOR, 772ND ENTERPRISE SOURCING SQUADRON  
COMMANDER, AIR FORCE 379TH EXPEDITIONARY CONTRACTING  
SQUADRON

SUBJECT: Controls Over the Air Force Contract Augmentation Program Payment Process  
Need Improvement (Report No. DODIG-2015-075)

We are providing this report for your information and use. Between October 2012 and June 2014, contracting officials from the 379<sup>th</sup> Expeditionary Contracting Squadron generally administered the three Air Force Contract Augmentation Program task orders we reviewed in accordance with Federal and DoD guidance. However, 772<sup>nd</sup> Enterprise Sourcing Squadron contracting officers did not verify that contractor performance was satisfactory before certifying and paying invoices. Additionally, contracting officials did not incorporate replacement costs into equitable adjustment agreements with the contractor for unsatisfactory contractor performance. As a result, the Air Force paid over \$5.0 million for services that may not have met contract requirements, and missed the opportunity to recover replacement costs when negotiating equitable adjustments. We conducted this audit in accordance with generally accepted government auditing standards.

We considered management comments on a draft of this report when preparing the final report. Comments from the Commander, 772<sup>nd</sup> Enterprise Sourcing Squadron addressed all specifics in the recommendations and conformed to the requirements of DoD Directive 7650.3; therefore, we do not require additional comments.

We appreciate the courtesies extended to the staff. Please direct questions to me at (703) 699-7331.

A handwritten signature in black ink, reading "Carol N. Gorman", is positioned above the printed name.

Carol N. Gorman  
Assistant Inspector General  
Readiness and Cyber Operations

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## Acronyms and Abbreviations

# Introduction

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## Objective

Our audit objective was to determine whether DoD was effectively administering and providing oversight of selected Air Force Contract Augmentation Program (AFCAP) task orders in Southwest Asia. Specifically, we determined whether the contractor's work was adequately monitored and whether invoice review and approval procedures were in place to ensure accuracy and completeness of contract costs. We focused our review on three AFCAP task orders for services provided at Al Udeid Air Base (AUAB), Qatar. See Appendix A for a discussion of our scope and methodology and prior coverage related to the objective.

## Background

U.S. Central Command works with national and international partners to promote regional security, stability, and prosperity in the Middle East. AUAB, Qatar, serves as a logistics, command, and basing hub for the U.S. Central Command area of operations. The air base uses AFCAP to provide Government customers with base operating support, logistic support, and combat service support capabilities, including minor construction, professional engineering, infrastructure support, engineer design, fire protection, troop support, and lodging management. The 379<sup>th</sup> Air Expeditionary Wing, at AUAB, Qatar, provides airpower, tactical control, space, cyber, and logistics support teams to meet the tasks of the Commander, U.S. Air Force Central Command. The 379<sup>th</sup> Expeditionary Contracting Squadron (ECONS) provides contract administration for AUAB AFCAP task orders.

## ***AFCAP Contract***

On February 9, 2005, the Air Force Education and Training Command Contracting Squadron, Randolph Air Force Base, Texas, awarded the AFCAP contract to five contractors, giving those contractors the ability to bid on task orders written under the contract. After the award, the 772<sup>nd</sup> Enterprise Sourcing Squadron (ESS), Tyndall Air Force Base, Florida, assumed responsibility for issuing the task orders and managing the contract. The AFCAP contract is an indefinite-delivery, indefinite-quantity<sup>1</sup> contract with a ceiling of \$10 billion over a base year plus nine option years.

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<sup>1</sup> Indefinite-delivery, indefinite-quantity contracts provide for an indefinite quantity of supplies or services within stated limits during a fixed period.



The Air Force plans to award a new AFCAP contract in 2015. As of April 2014, there were eight active AFCAP task orders for services performed at AUAB, Qatar. The services included:

- Transient Aircraft Services,
- Electrical Power Production,
- Civil Engineering Base Operations Support,
- Rapid Engineer Deployable Heavy Operational Repair Squadron Engineers Vehicle and Heavy Equipment Maintenance,
- Fire Emergency Service Equipment Services,
- Installation Services,
- Engineering Support, and
- Logistics Support.

The eight AUAB task orders were valued at \$99.2 million. We nonstatistically selected three of the eight task orders, valued at \$43.8 million, for review—Electrical Power Production, Civil Engineering Base Operations Support, and Rapid Engineer Deployable Heavy Operational Repair Squadron Engineers Vehicle and Heavy Equipment Maintenance. The 772<sup>nd</sup> ESS established Electrical Power Production and Civil Engineering Base Operations Support task orders as firm-fixed-price type task orders.<sup>2</sup> The 772<sup>nd</sup> ESS established the Rapid Engineer Deployable Heavy Operational Repair Squadron Engineers Vehicle and Heavy Equipment Maintenance task order as a cost-plus-fixed-fee type task order.<sup>3</sup>

### ***AFCAP Task Order Administration***

772<sup>nd</sup> ESS initially delegated responsibility for the AUAB AFCAP task order administration to the Defense Contract Management Agency, but re-delegated the responsibility to the 379<sup>th</sup> ECONS in February 2014. As such, the 379<sup>th</sup> ECONS appointed an administrative contracting officer (ACO) to oversee AFCAP task orders. The ACO is responsible for ensuring that the contractor is performing satisfactorily and when necessary, determining whether unsatisfactory contractor performance requires a task order price adjustment.

The ACO assigns a lead contracting officer's representative (COR) to monitor and report contractor performance for each task order. The CORs report contractor performance on performance assessment reports (PARs), which the ACO uses

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<sup>2</sup> Firm-fixed-price type task orders establish prices that are not subject to adjustment on the basis of contractors' costs to perform agreed upon services.

<sup>3</sup> Cost-plus-fixed-fee type task orders provide for payment of allowable costs incurred by the contractor to perform the agreed upon services, to the extent prescribed in the contract. It also provides for payment of a negotiated fee that is fixed at contract start.

to determine whether the contractor is performing in accordance with contract and task order terms and conditions. The COR submits the PAR (a PAR template is located in Appendix B) to the ACO on a periodic basis as established within each task order. All three AFCAP task orders reviewed required monthly PARs. According to a 772<sup>nd</sup> ESS official, if the PAR does not contain contractor performance deficiencies, the ACO approves the PAR and provides it to the contractor, who submits the PAR and applicable invoice into the Wide Area Work Flow (WAWF).<sup>4</sup> The 772<sup>nd</sup> ESS official stated that if the PAR contains contractor performance deficiencies, the ACO coordinates with the contractor to resolve those deficiencies. The ACO can accept the deficiencies without action, require the contractor to correct the deficiencies, or initiate an equitable adjustment (EA)<sup>5</sup> to the task order. Further, the 772<sup>nd</sup> ESS official stated when an EA is necessary; the EA amount is negotiated between the contractor, the ACO, and the contracting officer.

### ***Invoice Payment Process***

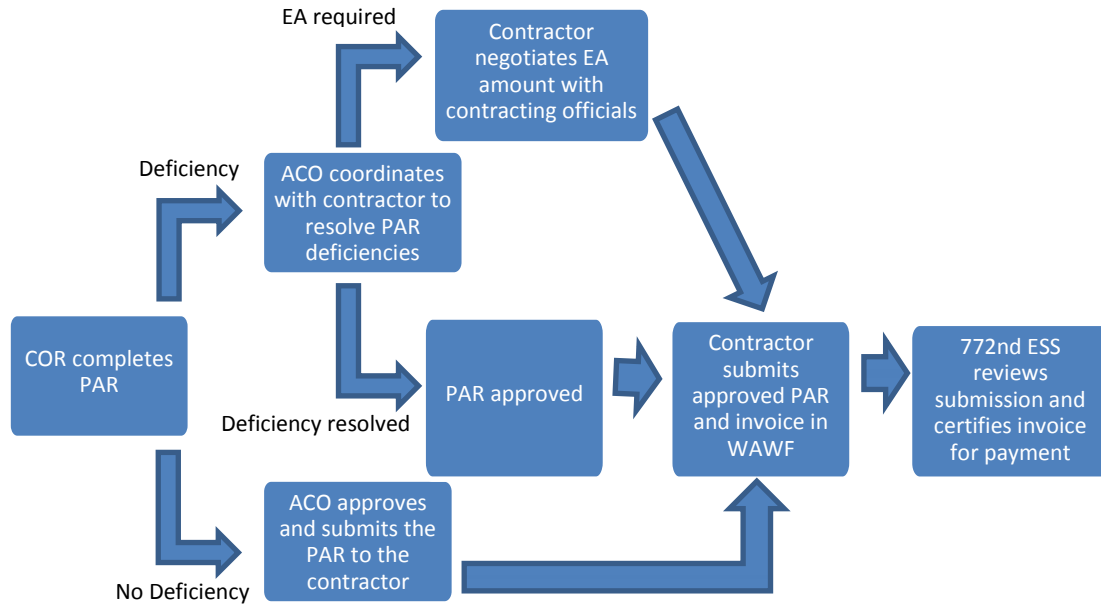
Provisions of the Federal Acquisition Regulation (FAR) allow for Government oversight of contractor performance<sup>6</sup> and the 772<sup>nd</sup> ESS incorporated the FAR requirement into the task orders by requiring monthly PARs. The invoice payment process is initiated when the contractor submits an ACO-approved PAR and invoice into WAWF. A contracting officer then reviews the PAR to verify that contractor performance was satisfactory, validates the accuracy of the invoice amounts, and certifies the invoice for payment. According to a 772<sup>nd</sup> ESS contracting officer, ACO-approved PARs are considered Government acceptance of satisfactory contractor services. Even though the 772<sup>nd</sup> ESS used different types of task orders to fulfill AFCAP requirements, the 772<sup>nd</sup> ESS followed the same invoicing procedures for all three task orders. According to AFCAP contracting officials, Figure 1 on page 4 details the PAR and invoicing process at AUAB.

<sup>4</sup> WAWF is a web-based application that allows contractors to electronically submit invoices and supporting documentation for Government inspection, acceptance, and electronic payment.

<sup>5</sup> An EA is the means to implement an adjustment in the contract price based on a change to the contract.

<sup>6</sup> FAR Subpart 32.9, "Payment Documentation and Process," states that a payment will be made based on receipt of invoice and satisfactory contract performance and applies to the firm-fixed price type task orders. FAR 52.216-7, "Allowable Cost and Payment," applies to the cost plus fixed-fee task order, and allows for reimbursement costs that are determined allowable, allocable, and reasonable.

Figure 1. PAR and Invoicing Process at AUAB, Qatar



Source: DoD Office of Inspector General

## Review of Internal Controls

DoD Instruction 5010.40, “Managers’ Internal Control Program Procedures,”

May 30, 2013, requires DoD organizations to implement a comprehensive system of internal controls that provides reasonable assurance that programs are operating as intended and to evaluate the effectiveness of the controls.

We identified an internal control weakness related to AFCAP task order payments at AUAB. Specifically, 772<sup>nd</sup> ESS contracting officers did not verify that contractor performance was satisfactory before certifying and paying invoices. We will provide a copy of the report to the senior official responsible for internal controls for 772<sup>nd</sup> ESS.

## Finding

### Contractor Performance Was Monitored, but Invoice Reviews and Equitable Adjustment Determinations Can Be Improved

379<sup>th</sup> ECONS officials generally administered the three AFCAP task orders we reviewed in accordance with Federal and DoD guidance. Specifically, CORs were assigned and trained and monitored and reported the contractors' performance. However,

- contracting officers did not verify that contractor performance was satisfactory before certifying and paying 20 of 40 contractor invoices submitted between October 2012 and June 2014. This occurred because 772<sup>nd</sup> ESS officials did not establish procedures to ensure that contract payments were based on documented acceptance of contractor performance.
- improvements can be made when determining EAs for the contractors' failure to meet performance objectives. Specifically, contracting officials did not incorporate replacement costs<sup>7</sup> into EA agreements with the contractor for unsatisfactory contractor performance. This occurred because contracting officials did not use Federal Acquisition Regulation Subpart 52.246-4 to the fullest extent possible when determining EA amounts.

As a result, the Air Force paid over \$5.0 million for services that may not have met contract requirements, and missed the opportunity to recover replacement costs when negotiating EAs.

<sup>7</sup> Replacement costs include all costs associated with the correction of unsatisfactory performance.

### Contractor Performance Was Adequately Monitored

In general, the CORs adequately monitored and reported contractor performance for the three AFCAP task orders we reviewed. Specifically, the CORs met all Federal and DoD requirements for appointment and training. In addition, they performed technical monitoring of contractor performance through completion of monthly PARs.

### ***CORs Were Appropriately Designated and Trained***

The CORs assigned to the three AFCAP task orders we reviewed were appropriately designated and trained. FAR Subpart 1.602-2, “Responsibilities,” requires contracting officers to designate and authorize, in writing, a COR on all contracts and task orders. The FAR also outlines the information that must be included in the designation letter, including the extent of and limitations on the COR’s authority, the period covered by the designation, and a statement that the designation is not re-delegable. The ACO provided the designation letter for the CORs assigned to each of the AUAB, Qatar, task orders reviewed. The designation letters specify the responsibilities and authorities the ACOs granted to the CORs to fulfill their duties and includes all the elements required by FAR subpart 1.602-2.

FAR subpart 1.602-2 also requires DoD CORs to be certified and to maintain certification in accordance with applicable DoD policy guidance. Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics memorandum, “DoD Standard for Certification of Contracting Officer’s Representatives for Service Acquisitions,” March 29, 2010, establishes COR certification standards. The memorandum defines minimum COR competencies, experience, and training according to the nature and complexity of the task order being reviewed and contract performance risk. We reviewed COR training records and determined that CORs assigned to each of the AUAB, Qatar, task orders met the memorandum’s minimum requirements.

### ***CORs Monitored Contractor Performance***

CORs were responsible for the technical monitoring of the contractor’s performance and assessing, recording, and reporting on the contractor’s compliance with the terms and conditions of the task order. CORs accomplished those monitoring responsibilities through completion of monthly PARs submitted to the ACO for approval and acceptance of services. PARs address contractor performance and should include the CORs’ comments concerning both positive and negative contractor performance. We verified that CORs completed PARs for 38 of the 40 invoices paid during the period reviewed. For the two PARs that were not completed, contracting officials stated that PARs were not required because invoices were for work performed during the first month of the task order, which they considered a transition period. However, FAR subpart 46.5, “Acceptance” does not exempt the requirement for Government acceptance of contractor performance during transition periods. If 772<sup>nd</sup> ESS implements the actions identified in Recommendation 1 of this report, the contracting officer will ensure that the COR creates required PARs, to include during transition periods.

## Contracting Officers Did Not Consistently Verify Satisfactory Contractor Performance

The contracting officers did not verify that contractor performance was satisfactory before certifying and paying 20 of 40 contractor invoices submitted in WAWF between October 2012 and June 2014. According to a 772<sup>nd</sup> ESS contracting officer, the ACO-approved PARs are considered Government acceptance of services for AFCAP task orders. FAR Subpart 46.5, states that acceptance constitutes acknowledgment that contractor services conform to contract quality requirements and places the responsibility of acceptance on the ACO. Contracting officials stated PARs are considered ACO-approved when they contain no performance objective deficiencies or when the ACO documents acceptance of deficient performance within the PARs.

Of the 40 contractor invoices we reviewed in WAWF, 20 were accompanied by an ACO-approved PAR that documented acceptance of services and satisfactory contractor performance. However, contracting officers were unable to provide evidence that they reviewed ACO-approved PARs, before certifying the other 20 invoices for payment. Specifically, contracting officers certified:

- 11 invoices that did not have PARs in WAWF,
  - 5 PARs contained performance objective deficiencies,
  - 4 PARs contained no performance objective deficiencies,
  - 2 PARs were never created.
- 7 invoices that although PARs were in WAWF, the PARs contained performance deficiencies and did not have an ACO-documented acceptance of those deficient services.
- 2 invoices valued at over \$1.2 million that included charges for services not performed.

See Appendix C for a detailed list of the 20 invoices with identified discrepancies.

### ***Invoices Certified Without PARs in WAWF***

Contracting officers certified 11 invoices that did not have PARs in WAWF. The AFCAP contract included DFARS Clause 252.232-7003 which requires contractors to submit payment requests through WAWF. WAWF allows contractors to electronically submit invoices and PARs for Government inspection, acceptance, and electronic payment. However, contracting officers certified 11 invoices submitted in WAWF without PARs. Although we were eventually able to obtain PARs for 9 of the 11 invoices from other sources, the contracting officials were unable to provide evidence that they were reviewed before invoice certification and payment.



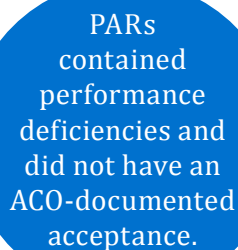
Of the nine PARs obtained, five contained performance objective deficiencies that should have had an ACO-documented acceptance of deficient services before being certified and paid. For example, an invoice in the amount of \$34,745 for Rapid Engineer Deployable Heavy Operational Repair Squadron Engineers Vehicle and Heavy Equipment Maintenance was certified by the contracting officer for payment without a PAR in WAWF. The PAR associated with the invoice identified two performance objective deficiencies—failed documentation requirements and a vehicle mission capability rate 20 percent below the acceptable level. The contracting officer should not have certified the invoice for payment without a PAR and an ACO-documented acceptance of deficient services.

The remaining four PARs contained no identified performance objective deficiencies. Even though there were no deficiencies identified within these PARs, the contractor did not submit the PARs in WAWF. Therefore, the contracting officer did not have justification for certifying the invoices for payment.

For the two PARs covering transition periods that were never created, contracting officers certified the invoices for payment without any knowledge of contractor performance. Because PARs were not completed to support these two invoices, we could not evaluate whether the ACO determined services performed were acceptable.

### ***Invoices Certified Without Documented Acceptance***

Contracting officers certified seven invoices that although PARs were in WAWF, the PARs contained performance deficiencies and did not have an ACO-documented acceptance of those deficient services. For example, an invoice in the



PARs contained performance deficiencies and did not have an ACO-documented acceptance.

amount of \$495,195 was submitted in WAWF for Electrical Power Production services and certified by the contracting officer for payment without an ACO-documented acceptance of the deficient services. Upon further review, we identified that the PAR associated with the invoice contained four performance objective deficiencies. The deficiencies were for unskilled personnel, inadequate use of required safety equipment, inadequate preventative maintenance on generators, and insufficient grounding of electrical equipment. These deficiencies were identified within the PAR; however, the PAR did not contain an ACO-documented acceptance of the deficient services and therefore, should not have been certified for payment.

## ***Invoices Certified for Services Not Performed***


Contracting officers certified two invoices that included charges for services not performed. According to a 772<sup>nd</sup> ESS contracting officer, the invoices should never have been certified for payment. Specifically, the contractor submitted two invoices, totaling over \$1.2 million that included charges for services that were previously removed from the Civil Engineering Base Operations Support task order. A 772<sup>nd</sup> ESS contracting officer indicated that 772<sup>nd</sup> ESS was in the process of recovering improper charges for the two invoices.

## **772<sup>nd</sup> ESS Lacked Invoice Certification Procedures**

772<sup>nd</sup> ESS officials did not establish procedures to ensure that contract payments were based on documented acceptance of contractor performance. Although contracting officers are responsible for ensuring the accuracy of invoice payments, 772<sup>nd</sup> ESS did not develop procedures for contracting officers to follow when reviewing and certifying WAWF contractor payment requests. 772<sup>nd</sup> ESS contracting officers should verify Government acceptance of contractor services before certifying invoices for payment. The Director, 772<sup>nd</sup> ESS, should develop procedures requiring contracting officers to verify contractor invoices contain satisfactory performance within WAWF before certifying invoice payments to ensure that the Air Force is only paying for adequately performed AFCAP services. The Director, 772<sup>nd</sup> ESS, should also require contracting officers to review invoices identified in Appendix C and take appropriate action.

## **Equitable Adjustment Process Could Be Improved**

Improvements can be made when determining EAs for the contractors' failure to meet performance objectives. Specifically, contracting officials did not incorporate replacement costs into EA agreements with the contractor for unsatisfactory contractor performance. The ACO required EAs for 6 of the 38 PARs created between October 2012 and June 2014, resulting in a task order modification reducing the task order value by \$195,839. FAR Subpart 46.407, "Nonconforming Supplies or Services," authorizes EAs when supplies or services are accepted with critical deficiencies. The EA amount withheld from payments should be enough to cover the estimated cost and related profit to correct deficiencies and complete unfinished work. FAR 52.246-4, more broadly allows the Government to charge a contractor any cost incurred by the Government that is directly related to replace the performance of such service that the contractor did not perform.



Contracting officials did not incorporate replacement costs into EA agreements.

According to the ACO, AFCAP task orders were not written to allow for the ACO to easily calculate the EA amount associated with failed performance. As a result, the ACO requested contractors to calculate the initial EA proposal when failed performance objectives warranted an EA. The ACO stated that contractors apply a weighted average to each performance objective within the task order when calculating the EA proposal. Once the proposal is submitted, the ACO, contracting officer, and the contractor negotiate the EA.

## **Replacement Costs Were Not Considered When Determining Equitable Adjustments**

Contracting officials did not use FAR 52.246-4 to the fullest extent possible when determining EA amounts. Although the ACO for the AUAB, Qatar, task orders used a standard process to determine EAs, the contractor EA proposal and weighted average calculation considered only costs agreed upon within the task order and did not include the additional costs the Government incurred to have the services provided by another source.

FAR 52.246-4 allows contracting officials to consider replacement costs when determining EA amounts. However, the contractor EA proposal and weighted average calculation considered only costs agreed upon within the task order. For example, the ACO and contracting officer accepted an EA in the amount of \$194,862 for services removed on the Civil Engineering Base Operations Support task order due to the contractor's inability to complete the services. Services removed from the task order included:

- Grounds Maintenance;
- Custodial Services;
- Refuse Collection and Removal;
- Removal Services (wastewater, sewage, grease, and portable toilets);
- Water Delivery (bulk and bottled); and
- Monitoring of third-country nationals.

The ACO obtained five of the six services that were removed from the task order through three blanket purchase agreements. The total cost of the blanket purchase agreements was \$82,027 more than the services removed and did not include

third-country national monitoring for the remaining 3 months of performance.<sup>8</sup> Although not included in the EA, the increased costs associated with the blanket purchase agreements, as well as the costs associated with monitoring third-country nationals, should have been considered when calculating the EA. According to task order modifications, once an EA is agreed upon, the Government has no right to make further EAs for the period of performance. Therefore, it is critical for the ACO and contracting officers to consider replacement costs while negotiating an EA. The Director, 772<sup>nd</sup> ESS, should implement procedures to ensure that replacement costs are considered when determining future EAs.

## Services May Not Have Met Contract Requirements

The Air Force paid over \$5.0 million for services that may not have met contract requirements, and missed the opportunity to recover replacement costs when negotiating EAs. Although we evaluated only \$12.0 million of AUAB, Qatar, AFCAP invoices, 772<sup>nd</sup> ESS contracting officers are responsible for reviewing and certifying invoices for AFCAP task orders throughout the world. As of September 2013, the 772<sup>nd</sup> ESS exercised the eighth option year of the AFCAP contract, bringing the total cost of the contract to \$5.4 billion. Because the internal control deficiency identified in this report may impact the payment process for all AFCAP task orders, by implementing the report recommendations, the Director, 772<sup>nd</sup> ESS, can ensure contractor performance at all locations is verified as satisfactory before payment. The internal control deficiency identified in this report may impact all AFCAP task orders.

## Future AFCAP Contracts Could Benefit From Process Improvements

The Air Force plans to award a new 5-year AFCAP indefinite-delivery, indefinite-quantity contract in 2015 for services similar to those provided under the current AFCAP contract. 772<sup>nd</sup> ESS contracting officers will remain responsible for issuing task orders and managing the contract. Implementing the recommendations identified in this report will improve administration of the follow-on contract.

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<sup>8</sup> Military force protection personnel stationed at AUAB, Qatar, monitored third-country nationals for the remaining 3 months.

## Management Actions

During the audit, the 772<sup>nd</sup> ESS requested that the Defense Contract Audit Agency audit the Rapid Engineer Deployable Heavy Operational Repair Squadron Engineers Vehicle and Heavy Equipment Maintenance task order to address concerns we identified. On December 5, 2014, the Defense Contract Audit Agency issued a report on Rapid Engineer Deployable Heavy Operational Repair Squadron Engineers Vehicle and Heavy Equipment Maintenance task order direct labor costs. The report concluded that costs incurred for the period September 2012 through June 2014 complied with FAR, DFARS, Department of State Standardized Regulations, and Cost Accounting Standards. We commend the 772<sup>nd</sup> ESS for taking immediate action to address the identified concerns.

## Recommendations, Management Comments, and Our Response

### ***Recommendation 1***

**We recommend the Director, 772<sup>nd</sup> Enterprise Sourcing Squadron develop procedures for contracting officers to verify contractor invoices are submitted with documented satisfactory performance within Wide Area Work Flow before certifying invoice payments.**

#### ***The Commander, 772<sup>nd</sup> Enterprise Sourcing Squadron Comments***

The Commander, 772<sup>nd</sup> Enterprise Sourcing Squadron agreed, stating the Squadron will develop invoicing procedures and distribute those procedures to all stakeholders. The estimated timeframe for completion is March 2, 2015.

### ***Recommendation 2***

**We recommend the Director, 772<sup>nd</sup> Enterprise Sourcing Squadron review invoices with discrepancies identified in Appendix C and take appropriate action.**

#### ***The Commander, 772<sup>nd</sup> Enterprise Sourcing Squadron Comments***

The Commander, 772<sup>nd</sup> Enterprise Sourcing Squadron agreed, stating that the Squadron will investigate and resolve each discrepancy identified in Appendix C and document the task order file. The estimated timeframe for completion is March 2, 2015.

**Recommendation 3**

**We recommend the Director, 772<sup>nd</sup> Enterprise Sourcing Squadron require administrative contracting officers and contracting officers to consider replacement costs when determining future equitable adjustments.**

*The Commander, 772<sup>nd</sup> Enterprise Sourcing Squadron Comments*

The Commander, 772<sup>nd</sup> Enterprise Sourcing Squadron agreed, stating that the Squadron will direct the administrative contracting officers and contracting officers to consider replacement costs during resolution of equitable adjustments. The estimated timeframe for completion is February 2, 2015.

*Our Response*

The Commander, 772<sup>nd</sup> Enterprise Sourcing Squadron's responses addressed all specifics of the recommendations and no further comments are required.



## Appendix A

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### Scope and Methodology

We conducted this performance audit from April 2014 through December 2014 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

### Review of Documentation and Interviews

We conducted the audit at AUAB, Qatar. To understand the AFCAP contract requirements, we obtained and reviewed the AFCAP base contract, contract task orders, task order performance work statement, contract invoices, PARs, nomination and delegation letters, and other relevant contract documentation. We also obtained and reviewed FAR and DoD regulations related to contract administration.

To determine whether DoD appropriately assigned administrative responsibilities for AFCAP AUAB, Qatar, task orders, we obtained and reviewed ACO and COR nomination and delegation memoranda. We also assessed the memoranda and COR training records to ensure assigned CORs met DoD COR competencies and training requirements.

To determine whether DoD adequately monitored AUAB, Qatar, task orders we reviewed PARs for completeness and acceptance. We also interviewed the AUAB, Qatar, 379<sup>th</sup> ECONS ACO and all CORs assigned to AUAB, Qatar, AFCAP task orders to better understand the PAR process.

To assess invoice review and approval procedures, we reviewed contractor invoice documentation submitted in WAWF and certified by contracting officers. Specifically, we determined whether invoices submitted by contractors were supported by Government-approved PARs. We also interviewed AFCAP contracting officers at Tyndall AFB, Florida, to better understand the invoice certification process and the plans for AFCAP contract renewal.

## Audit Universe

The audit universe consisted of 11 AFCAP task orders where the place of performance was in Southwest Asia (excluding Iraq and Afghanistan) valued at \$106.9 million. We focused on the eight task orders with services performed at AUAB, Qatar, valued at \$99.2 million. We nonstatistically selected and reviewed three of the eight task orders with a value of \$43.8 million. We reviewed invoices that were paid on the three task orders between October 2012 and June 2014.

## Use of Computer-Processed Data

We used the Electronic Document Access database to obtain contract documentation. It is a web-based system that provides secure online access, storage, and retrieval of contracts and contract modifications to authorized users throughout DoD. To assess data accuracy, we compared line-item amounts within the contract documentation to invoice values within WAWF. We also used WAWF to identify total task order payments and ensure that invoices were appropriately reviewed and certified by contracting officers. WAWF is an interactive web-based application that allows contractors to electronically submit invoices and PARs for Government inspection, acceptance, and electronic payment. We determined completeness of task order payments by verifying payments were marked “paid” in WAWF. WAWF also provided a repository of documents submitted by contractors with each invoice. We reviewed documentation to determine whether contracting officer invoice certification was based on receipt of a proper invoice and PAR that indicated acceptance of services performed. To assess data accuracy, we compared the invoice documentation to the invoice payment amount. Based on our comparisons, we determined that the data were sufficiently reliable for the purposes of this report.

## Use of Technical Assistance

During the audit, we requested and received technical assistance from DoD Office of the Inspector General Quantitative Methods Division personnel to determine the type of sampling methodology for the audit. As a result, we nonstatistically selected the audit sample.

## Prior Coverage

During the last 5 years, the Government Accountability Office (GAO) and the Department of Defense Inspector General (DoD IG) issued four reports discussing contingency contracting in Southwest Asia. Unrestricted GAO reports can be accessed at <http://www.gao.gov>. DoD IG reports can be accessed at <http://www.dodig.mil/pubs/index.cfm>.

### **GAO**

Report No. GAO-12-290, “Management and Oversight Improvements Needed in Afghanistan,” March 2012

Report No. GAO-10-551T, “Continued Actions Needed by DoD to Improve and Institutionalize Contractor Support in Contingency Operations,” March 2010

Report No. GAO-10-39, “Further Actions Needed to Address Weaknesses in DoD’s Management of Professional and Management Support Contracts,” November 2009

### **DoD IG**

Report No. DODIG-2012-115, “Improved Oversight, but No Invoice Reviews and Potential Antideficiency Act Violation May Have Occurred on the Kuwait Observer Controller Team Task Orders,” August 2012

## Appendix B

### Performance Assessment Report Template

<b>PERFORMANCE ASSESSMENT REPORT (PAR)</b> <i>(If more space is needed, use reverse and identify by number)</i>		
1. CONTRACT/TASK ORDER NUMBER	2. CONTRACTOR	3. TYPE OF SERVICES
4. QUALITY ASSURANCE PERSONNEL (QAP) SIGNATURE AND DATE		5. QAP PHONE
		6. SUSPENSE DATE
<b>I. PERFORMANCE</b>		
7. <input type="checkbox"/> DEFICIENCY (CHECK ALL BOXES THAT APPLY) <input type="checkbox"/> NEW <input type="checkbox"/> REPEAT <input type="checkbox"/> NO DEFICIENCY NOTED		8. SERVICES SUMMARY or SOW PARAGRAPH ITEM REVIEWED
9. BRIEF DESCRIPTION OF DEFICIENCY (IF DEFICIENCY BOX WAS CHECKED)		10. DETAILED PERFORMANCE ASSESSMENT
<b>II. CONTRACTOR VALIDATION</b>		
11. CONTRACTOR REPRESENTATIVE <input type="checkbox"/> CONCUR <input type="checkbox"/> NON-CONCUR		12. CORRECTIVE ACTION ESTIMATED COMPLETION DATE
13. CONTRACTOR REPRESENTATIVE CORRECTIVE ACTION AND PREVENTION OF RECURRENCE <u>OR</u> REASON FOR NON-CONCURRENCE OF QAP CITED DEFICIENCY		
<b>III. ACTION CORRECTED</b>		
14. <input type="checkbox"/> CONCUR <input type="checkbox"/> NON-CONCUR      QAP SIGNATURE AND DATE		
15. QAP REMARKS (REQUIRED)		

## Appendix C

### Invoices With Identified Discrepancies

Contract and Task Order Number	WAWF Invoice Number	Invoice Amount	PARs Not in WAWF			PARs in WAWF	
			PAR Never Created	PAR Contained Deficiencies Not Accepted By ACO	PAR Contained No Deficiencies	Deficiencies Not Accepted By ACO	Invoice Certified for Services Not Performed
FA3002-06-D-0002-4C22	578	\$376,067.87	X				
FA3002-06-D-0002-4C22	581	228,118.00	X				
FA3002-06-D-0002-4C22	606	495,195.16				X	
FA3002-06-D-0002-4C22	614	495,195.16				X	
FA3002-06-D-0002-4C22	623	495,195.16				X	
FA3002-06-D-0002-4C22	628	495,195.16				X	
FA3002-06-D-0002-4C24	604	604,606.96				X	
FA3002-06-D-0002-4C24	649	604,606.96					X
FA3002-06-D-0002-4C24	654	604,606.96					X
FA3002-06-D-0005-4C14	PVC14001	21,981.12		X			
FA3002-06-D-0005-4C14	PVC1403R	34,745.47		X			
FA3002-06-D-0005-4C14	PVC1404R	65,182.28		X			
FA3002-06-D-0005-4C14	PVC14005	35,942.06		X			
FA3002-06-D-0005-4C14	PVC14006	52,527.24			X		
FA3002-06-D-0005-4C14	PVC14008	63,518.85			X		
FA3002-06-D-0005-4C14	PVC14012	47,668.28			X		
FA3002-06-D-0005-4C14	PVC14016	57,158.93			X		
FA3002-06-D-0005-4C14	PVC14017	66,820.17				X	
FA3002-06-D-0005-4C14	PVC14018	54,892.42		X			
FA3002-06-D-0005-4C14	PVC14022	137,127.85				X	
Total		\$5,036,352.06	2	5	4	7	2

## Management Comments

### 772<sup>nd</sup> Enterprise Sourcing Squadron



DEPARTMENT OF THE AIR FORCE  
AIR FORCE INSTALLATION CONTRACTING AGENCY

8 Jan 15

MEMORANDUM FOR DOD IG, PROGRAM DIRECTOR, READINESS AND CYBER  
OPERATIONS

FROM: 772 ESS/CC

SUBJECT: Management Comments to DOD IG Project No. D2014-D000RE-0173.000, Air Force  
Contract Augmentation Program (AFCAP) Program Payment Process

1. The purpose of this memo is to respond to the DOD IG recommendations contained in the subject report. The 772 ESS concurs with all DOD IG recommendations. Our response to each recommendation is as follows:

Recommendation 1. Develop procedures for contracting officers to verify contractor invoices are submitted with documented satisfactory performance within Wide Area Work Flow before certifying invoice payments.

Management Comment 1. Concur. 772 ESS will develop invoicing procedures and distribute to all stakeholders. Estimated timeframe for completion: 02 Mar 15.

Recommendation 2. Review invoices with discrepancies identified in Appendix C and take appropriate action.

Management Comment 2. Concur. 772 ESS will investigate each discrepancy identified in Appendix C, adjudicate each discrepancy, and document the task order file. Estimated timeframe for completion: 02 Mar 15.

Recommendation 3. Direct Administrative Contracting Officers (ACOs) and Contracting Officers (COs) to consider replacement costs when determining future equitable adjustments.

Management Comment 3. Concur. 772 ESS will direct ACOs and COs to consider replacement costs during resolution of equitable adjustments. Estimated timeframe for completion: 2 Feb 15.

2. Please direct any comments/questions to [REDACTED]

  
RICHARD A. MARSH, Lt Col, USAF  
Commander

cc: 379<sup>th</sup> ECONS/CC

*War-winning capabilities ... on time, on cost*



## Acronyms and Abbreviations

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<b>ACO</b>	Administrative Contracting Officer
<b>AFCAP</b>	Air Force Contract Augmentation Program
<b>AUAB</b>	Al Udeid Air Base
<b>COR</b>	Contracting Officer's Representative
<b>DFARS</b>	Defense Federal Acquisition Regulation Supplement
<b>EA</b>	Equitable Adjustment
<b>ECONS</b>	Expeditionary Contracting Squadron
<b>ESS</b>	Enterprise Sourcing Squadron
<b>FAR</b>	Federal Acquisition Regulation
<b>PAR</b>	Performance Assessment Report
<b>WAWF</b>	Wide Area Work Flow

# **Whistleblower Protection**

## **U.S. DEPARTMENT OF DEFENSE**

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